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C O N F I D E N T I A L JERUSALEM 001051

SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR  
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SUBJECT: ORDER TO REROUTE EXPORTS HITS BETHLEHEM STONE  
INDUSTRY

REF: JERUSALEM 331

Classified By: Consul General Jake Walles for reasons 1.4 (b), (d).

11. (C) Summary: Bethlehem business leaders claim that a recent Israeli order to reroute trucks carrying containers of stone and marble for export away from a checkpoint near the city to a commercial terminal 40 kilometers to the south will cost them time, money, and customers. Bethlehem Chamber of Commerce officials say local businesses face arbitrary stoppages at the Bethlehem checkpoints and continued pressure to divert shipments to the south despite a GoI pledge to Quartet Representative Tony Blair to allow transport of most goods directly from Bethlehem to Jerusalem through existing checkpoints. End Summary

12. (C) Stone and marble remains the Palestinians' leading export commodity, generating approximately USD 450 million in annual export sales. According to Ihab Khalil, Executive Manager of the Union of Stone and Marble in Palestine, Israeli soldiers manning a checkpoint near Bethlehem began turning back container trucks loaded with stone at the beginning of June. Khalil told Econoff that stone and marble merchants protested the order to the Israeli Coordinator of Government Activities in the Territories (COGAT), but were told that all container trucks must now pass through the commercial terminal at Tarqumiya, 40 kilometers to the south. Khalil said that using Tarqumiya, where cargoes are scanned and transferred "back to back" from Palestinian to Israeli trucks, will drive up costs significantly. Stone exporters, said Khalil, must now hire two separate trucks and drivers and incur higher labor and fuel costs to cover the slower, more circuitous routes to Israeli ports.

13. (C) Nassar Nassar, CEO of Bethlehem-based Nassar Stone Group, wrote to the Consul General on June 11 to request U.S. assistance in rolling back the new measures. (Post has conveyed a copy of Nasser's letter to NEA/IPA.) Nassar wrote that the additional time and expense attributable to the increased travel distance, Tarqumiya's security procedures and back-to-back loading system "will cause us to lose the competitive edge against Israeli and international competitors." (Note: Nassar Stone, the West Bank's leading stone and marble exporter, has supplied materials for many building projects in the United States, including the new San Diego Airport terminal. End note.) Nassar Stone executive Samir Dahdal told Econ Specialist that Palestinian exporters "can't compete" with Israeli exporters who do not bear the same extra costs. Dahdal said Nassar Stone is facing loss of overseas market share and could eventually be forced to shutter factories.

14. (C) Dr. Samir Hazboun, Chairman of the Bethlehem Chamber of Commerce and Industry, told Econoff that the situation at

the checkpoints near Bethlehem changes frequently, often with no notice. Hazboun said the unpredictable and arbitrary stoppage of various goods moving in and out of Bethlehem, such as fuel earlier this year (reftel), places a significant burden on the local business community. He added that Bethlehem exporters are under constant pressure to divert shipments through Tarqumiya. Hazboun said he will meet COGAT officials later this week to discuss the situation and intends to raise a GoI commitment, announced by the Quartet Representative on May 13, to allow transport of most goods and services directly from Bethlehem to Jerusalem through existing checkpoints.

WALLES